

January 2009

# MILITARY BASE REALIGNMENTS AND CLOSURES

DOD Faces  
Challenges in  
Implementing  
Recommendations on  
Time and Is Not  
Consistently Updating  
Savings Estimates



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Highlights of [GAO-09-217](#), a report to congressional committees

## Why GAO Did This Study

The 2005 Base Realignment and Closure (BRAC) round is the biggest, most complex, and costliest BRAC round ever. In addition to base closures, many recommendations involve realignments, such as returning forces to the United States from bases overseas and creating joint bases. However, anticipated savings remained an important consideration in justifying the need for the 2005 BRAC round.

The House report on the National Defense Authorization Act for Fiscal Year 2008 directed GAO to monitor BRAC implementation. Therefore, GAO assessed (1) challenges that might affect timely completion of recommendations, (2) any changes in DOD's reported cost and savings estimates since fiscal year 2008, and (3) the potential for estimates to continue to change. To address these objectives, GAO reviewed documentation and interviewed officials in the Office of the Secretary of Defense (OSD), the services' BRAC offices, and the Army Corps of Engineers; visited installations implementing some of the more costly realignments or closures; and analyzed BRAC budget data for fiscal years 2008 and 2009.

## What GAO Recommends

GAO recommends that OSD modify its recently issued guidance on BRAC implementation status and require the services to update BRAC savings estimates. DOD concurred with GAO's recommendations.

To view the full product, including the scope and methodology, click on [GAO-09-217](#). For more information, contact Brian J. Lepore at (202) 512-4523 or [leporeb@gao.gov](mailto:leporeb@gao.gov).

# MILITARY BASE REALIGNMENTS AND CLOSURES

## DOD Faces Challenges in Implementing Recommendations on Time and Is Not Consistently Updating Savings Estimates

### What GAO Found

DOD has made progress in implementing the BRAC 2005 round but faces challenges in its ability to meet the September 15, 2011, statutory completion deadline. DOD expects almost half of the 800 defense locations implementing BRAC recommendations to complete their actions in 2011; however, about 230 of these almost 400 locations anticipate completion within the last 2 weeks of the deadline. Further, some of these locations involve some of the most costly and complex BRAC recommendations, which have already incurred some delays and thus have little leeway to meet the 2011 completion date if any further delays occur. Also, DOD must synchronize relocating about 123,000 personnel with an estimated \$23 billion in facilities that are still being constructed or renovated, but some delays have left little time in DOD's plans to relocate these personnel by the deadline. Finally, delays in interdependent recommendations could have a cascading effect on other recommendations being completed on time. OSD recently issued guidance requiring the services and defense agencies to provide status briefings to improve oversight of issues affecting timely implementation of BRAC recommendations. However, this guidance did not establish a regular briefing schedule or require the services to provide information about possible mitigation measures for any BRAC recommendations at risk of not meeting the statutory deadline.

DOD's fiscal year 2009 BRAC budget submission shows that DOD plans to spend more to implement recommendations and save slightly less compared to the 2008 BRAC budget. DOD's 2009 estimate of one-time costs to implement this BRAC round increased by \$1.2 billion to about \$32.4 billion. Net annual recurring savings estimates decreased by almost \$13 million to about \$4 billion. Also, GAO's calculations of net present value, which includes both expected cost and savings over a 20-year period ending in 2025 and takes into account the time value of money, show that implementing the 2005 BRAC recommendations is expected to save \$13.7 billion. This compares to an estimated \$15 billion in net present value savings based on last year's BRAC budget and the BRAC Commission's reported estimate of about \$36 billion.

Although DOD is about 3½ years into the 6-year implementation period, the potential remains for BRAC cost estimates to continue to increase, but the potential for changes in savings estimates is unclear. Greater than expected inflation and increased market demands for construction materials could cause estimated construction costs to increase, although the extent of this increase is uncertain given today's economic market conditions. However, the potential for changes in savings estimates is unclear because BRAC headquarters officials at both the Army and the Air Force told us they do not plan to update their savings estimates regardless of factors that may cause those estimates to change, and OSD is not enforcing its own regulation requiring them to do so. Hence, congressional and defense decision makers could be left with an unrealistic sense of the savings this complex and costly BRAC round may actually produce, an issue that could be important in considering whether another round of BRAC may be warranted.

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## Abbreviations

BRAC	base realignment and closure
DOD	Department of Defense
OSD	Office of the Secretary of Defense

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## Congressional Committees

The 2005 Base Realignment and Closure (BRAC) round is the fifth such round undertaken by DOD since 1988 and, by our assessment, is the biggest, most complex, and costliest BRAC round ever. With this BRAC round, the Department of Defense (DOD) plans to execute hundreds of BRAC actions affecting over 800 defense locations, relocate over 123,000 personnel, and spend over \$32 billion—an unprecedented amount, given that DOD has spent almost \$25 billion<sup>1</sup> to implement the four previous BRAC rounds combined when all relevant BRAC actions have been completed. Unlike prior BRAC rounds, DOD is implementing the BRAC 2005 round during a time of conflict and significant additional defense appropriations through supplemental budgets to support contingency operations. Compounding this challenge, DOD is also implementing or planning to implement other extensive worldwide transformation initiatives such as the permanent relocation of about 70,000 military personnel<sup>2</sup> to the United States from Europe and Korea; transformation of the Army's force structure from an organization based on divisions to more rapidly deployable, combat brigade-based units; an increase in the active-duty end strength of the Army and the Marine Corps by 92,000 members;<sup>3</sup> and the potential redeployment of combat forces from Iraq to the United States, all of which will place additional demands on DOD's domestic facility infrastructure.

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<sup>1</sup> This dollar amount is based on DOD's fiscal year 2009 budget submission to Congress to pay for continuing implementation of recommendations from prior BRAC rounds (BRAC 1988, 1991, 1993, and 1995). This amount does not include other BRAC associated costs such as costs to complete environmental cleanup at BRAC bases in future years and costs incurred by other DOD and federal agencies to provide assistance to communities and individuals impacted by BRAC. DOD's budget submission is reported in current dollars (i.e., includes projected inflation).

<sup>2</sup> The relocation of about 15,000 U.S. military personnel from various overseas locations to the United States is included in the BRAC 2005 recommendations. DOD plans to relocate the remaining military personnel in realignment actions not related to BRAC.

<sup>3</sup> The Army is planning to increase its active-duty end strength by 65,000, and the Marine Corps is planning to increase its active-duty end strength by 27,000 over the next several years.

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The Office of the Secretary of Defense (OSD) at the outset of BRAC 2005 indicated its intent to reshape DOD's installations and realign DOD forces to meet defense needs for the next 20 years. Moreover, both DOD and the BRAC Commission<sup>4</sup> reported that their primary consideration in making recommendations for the BRAC 2005 round was military value.<sup>5</sup> As such, many of the BRAC 2005 recommendations involve complex realignments, such as designating where military forces returning to the United States from overseas bases would be located; establishing joint military medical centers; creating joint bases; and reconfiguring the defense supply, storage, and distribution network. DOD is required to implement all BRAC 2005 recommendations by September 15, 2011.

However, anticipated savings resulting from implementing recommendations remained an important consideration in justifying the need for the 2005 BRAC round. In 2001 testimony before Congress, the Secretary of Defense stated that another BRAC round would generate recurring savings the department could use for other defense programs, and that the BRAC Commission expected that the round would save about \$36 billion over a 20-year period ending in 2025.<sup>6</sup> Nonetheless, to realize savings from BRAC, DOD must first invest billions of dollars in facility construction, renovation, and other up-front expenses to implement the BRAC recommendations to produce the projected savings that DOD could then redirect to other priorities.

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<sup>4</sup> BRAC legislation (Pub. L. No. 101-510, Title XXIX (1990), as amended by Pub. L. No. 107-107, Title XXX (2001)) provided for an independent commission to review the Secretary of Defense's realignment and closure recommendations and the commission had the authority to change these recommendations if it determined that the Secretary deviated substantially from the legally mandated selection criteria. The Defense Base Closure and Realignment Commission (referred to in this report as the BRAC Commission) presented its list of final recommendations to the President of the United States, who approved them in their entirety. The President subsequently forwarded these BRAC recommendations to Congress, and they became effective on November 9, 2005.

<sup>5</sup> Military value refers to one or more BRAC selection criteria, which includes such considerations as an installation's current and future mission capabilities, condition, ability to accommodate future needs, and cost of operations. Military value was a priority consideration in prior BRAC rounds, along with costs and savings, economic impact on communities, and other concerns. DOD adopted similar criteria, establishing military value as a priority consideration for the 2005 BRAC round and cost and savings as a secondary consideration, which Congress subsequently enacted into law in the Ronald Reagan National Defense Authorization Act for Fiscal Year 2005, Pub. L. No. 108-375, § 2832 (2004) (amending Pub. L. No. 101-510, § 2913 (1990)).

<sup>6</sup> The BRAC Commission reported its estimate in constant fiscal year 2005 dollars (i.e., excludes projected inflation).

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Because of concerns about the progress DOD is making in implementing the BRAC 2005 recommendations, the House Armed Services Committee report accompanying the National Defense Authorization Act for Fiscal Year 2008<sup>7</sup> directed the Comptroller General to monitor the implementation of recommendations for the 2005 round of closures and realignments of military installations made pursuant to section 2914 of the Defense Base Closure and Realignment Act of 1990.<sup>8</sup> We prepared this report to (1) assess the challenges DOD faces that might affect the implementation of the BRAC recommendations by the statutory completion deadline in 2011, (2) analyze how DOD's reported cost and savings estimates have changed in the fiscal year 2009 BRAC budget request compared to the fiscal year 2008 budget request, and (3) evaluate the potential for BRAC cost and savings estimates to continue to change as DOD proceeds with BRAC implementation.

To address these objectives, we reviewed relevant documentation including business plans, DOD presentations on BRAC implementation status, and prior GAO reports, and interviewed officials in the Office of the Deputy Under Secretary of Defense (Installations and Environment) responsible for overseeing BRAC implementation and associated BRAC implementation offices in the Army, the Navy, and the Air Force. To assess the challenges DOD faces that might affect the implementation of the BRAC recommendations by the statutory completion deadline in 2011, we focused our work on recommendations that have significant actions such as construction and movement of personnel scheduled to occur near the statutory deadline. To analyze how DOD's reported cost and savings estimates have changed in the fiscal year 2009 BRAC budget submission compared to the fiscal year 2008 budget submission, we obtained budget data for both fiscal years and compared dollar amount differences for cost and savings estimates for each BRAC recommendation. To calculate the 20-year net savings estimates, we used DOD's fiscal year 2009 BRAC budget data using the same methodology DOD used to report its estimate to the BRAC Commission. Finally, to evaluate the potential for BRAC cost and savings estimates to continue to change as the department proceeds with BRAC implementation, we interviewed officials from the Office of the Deputy Under Secretary of Defense (Installations and Environment) responsible for overseeing BRAC implementation and associated BRAC implementation offices for the service departments to discuss plans and

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<sup>7</sup> Pub. L. No. 110-181 (2008).

<sup>8</sup> H.R. Rep. No. 110-146, at 514 (May 11, 2007).



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procedures for updating these estimates. Further details on our scope and methodology can be found in appendix I.

Overall, we determined that the data for this report were sufficiently reliable for comparing cost and savings estimates and identifying broad implementation challenges. We conducted this performance audit from February 2008 to December 2008 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## Results in Brief

Although DOD has made progress in implementing BRAC 2005, it faces several challenges, all of which put some recommendations at risk of not completing BRAC implementation by the statutory deadline of September 15, 2011. For example, DOD expects almost 400 of the total of about 800 locations to complete their BRAC recommendations in 2011, which is within the last 9 months of the statutory deadline, and about 230 of these almost 400 locations are scheduled to complete their recommendations in the last 2 weeks of the statutory completion period. Further, some of these locations involve some of the most costly and complex BRAC recommendations, which have already incurred setbacks and thus have little leeway to meet the completion deadline if further delays occur. Also, as part of BRAC implementation, DOD is planning to synchronize the relocation of over 123,000 military and civilian personnel with nearly \$23 billion in new construction or renovation projects, but some delays in starting construction projects have, in turn, left little time in the planning schedules to complete those relocations by the deadline. Finally, the interdependence of some BRAC recommendations creates additional challenges to meeting the statutory deadline, as a delay in completing one project could have a cascading effect on other interconnected BRAC moves. In response to these challenges, the Deputy Under Secretary of Defense (Installations and Environment) issued a memo dated November 21, 2008, providing guidance that required the military services and defense agencies to present OSD with status briefings on BRAC implementation beginning in December 2008. The memo stated that these briefings will ensure that senior leadership is apprised of significant issues impacting timely implementation of BRAC recommendations. We believe this is a positive step toward enhancing OSD's oversight of BRAC implementation. However, because this guidance does not establish a regular briefing schedule or require the services to provide information

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about possible mitigation measures for any BRAC recommendations at risk of not meeting the statutory deadline, OSD may not be able to fully assist the services to complete their actions on time. We are making recommendations to improve the timeliness and completeness of the information the briefings will provide.

DOD's BRAC fiscal year 2009 budget submission, which covers fiscal year 2006 through fiscal year 2011, shows that DOD plans to spend more and save slightly less compared to last year's BRAC budget submission to implement BRAC recommendations. Specifically, DOD's 2009 estimated one-time costs to implement this round of BRAC increased by \$1.2 billion to about \$32.4 billion. Net annual recurring savings estimates decreased by almost \$13 million to about \$4 billion, compared to DOD's estimates in the fiscal year 2008 BRAC budget submission.<sup>9</sup> In addition, our calculations of the net present value, which includes both estimated cost and savings over a 20-year period ending in 2025 based on DOD's fiscal year 2009 BRAC budget and takes into account the time value of money, show that implementing the 2005 BRAC recommendations has declined to \$13.7 billion (in constant fiscal year 2005 dollars), compared to \$15 billion that we previously reported using DOD's fiscal year 2008 BRAC budget.<sup>10</sup> The BRAC Commission in 2005 reported that it estimated that DOD would save about \$36 billion over this same 20-year period after the department implemented this round of BRAC.

Although DOD is now about 3½ years into the statutory 6-year BRAC implementation period, the potential still remains for BRAC cost estimates to continue to increase in future BRAC budgets, but the potential for changes in savings estimates is unclear. Estimated costs for military construction could increase because of greater than expected inflation for building materials worldwide and increased market demands for construction, particularly for Army BRAC projects, which account for nearly 60 percent of the total BRAC construction cost estimates. For example, prices for construction materials such as steel, concrete, and

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<sup>9</sup> As we have previously reported, we believe DOD's net annual recurring savings estimates may be overstated because they include savings from eliminating military personnel positions without corresponding decreases in end-strength. DOD disagrees with our position. The \$4 billion estimate is calculated using DOD's method, which we nonetheless believe overstates savings. However, we included these estimates for consistency.

<sup>10</sup> The 20-year savings estimates, also known as the 20-year net present value, are in constant fiscal year 2005 dollars (i.e., excludes projected inflation), to be consistent with the BRAC Commission's methodology and reporting of this estimate.

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copper rose by 18 percent to over 124 percent from 2005 to 2008. The increase in the price of fuel through July 2008 has also contributed to increased construction costs, although fuel prices had declined by the time of our report. In addition, U.S. Army Corps of Engineers officials told us that the inflation rates they are required to use in developing BRAC budget estimates underestimate actual construction costs and that some construction bids from contractors are coming in at higher amounts than budgeted. We believe that if escalating pressures on the cost of commercial construction continue, DOD may have difficulty completing so many construction projects within current cost estimates by the statutory 2011 deadline, although recent changes in market conditions could reverse pricing trends in DOD's favor. At the same time, the potential for changes in BRAC savings estimates is unclear because some services do not plan to update their savings estimates regardless of factors that could cause those estimates to change, and OSD is not enforcing its own regulation requiring the services to do so. OSD officials told us that their focus has been mainly on formulating cost estimates and planning BRAC implementation. Nonetheless, DOD's financial management regulation for BRAC appropriations states that BRAC saving estimates must be based on the best projection of what savings will actually accrue from approved realignments and closures and that prior year estimated savings shall be updated to reflect actual savings.<sup>11</sup> However, the services are implementing this regulation inconsistently or not at all. For example, officials responsible for implementing two recommendations associated with substantial expected savings—establishing naval fleet readiness centers at multiple installations and realigning defense medical care and training—told us that they were updating their savings estimates based on maturing implementation details. In contrast, BRAC implementing officials for both Army and Air Force headquarters told us that they plan to continue to report the same savings estimates that they reported to Congress in February 2007, despite any changes in implementation details or completion schedule that could cause those estimates to change. Without consistently updated BRAC savings estimates, DOD decision makers and Congress may be left with an unrealistic sense of the savings this BRAC round may actually produce. We are making a recommendation that BRAC savings estimates are based on the best projection of what savings will accrue from approved realignments and closures.

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<sup>11</sup> DOD Financial Management Regulation, 7000.14R, vol. 2B, ch. 7, Base Realignment and Closure Appropriations, paragraph 070303E (Sept. 2008).

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In comments on a draft of this report, DOD concurred with all of our recommendations and noted that it has begun to implement them. DOD's written comments are reprinted in appendix V.

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## Background

DOD has undergone four BRAC rounds since 1988 and is currently implementing its fifth round.<sup>12</sup> In May 2005, the Secretary of Defense made public more than 200 recommendations that DOD estimated would generate net annual recurring savings of about \$5.5 billion beginning in fiscal year 2012. Ultimately, the BRAC Commission forwarded a list of 182 recommendations for base closure or realignment to the President for approval and estimated that BRAC could save DOD annually about \$4.2 billion after the recommendations had been implemented. After the BRAC Commission forwarded to the President its list of closure and realignment recommendations, the President was required to review and prepare a report approving or disapproving the BRAC Commission's recommendations by September 23, 2005. On September 15, 2005, the President approved, and the recommendations were forwarded to Congress, which had 45 legislative days or until adjournment of Congress to enact a joint resolution disapproving of the recommendations on an all-or-none basis; otherwise, the recommendations became effective. The BRAC Commission's recommendations were accepted in their entirety by the President and not disapproved by Congress and became effective November 9, 2005. The BRAC statute requires DOD to complete recommendations for closing or realigning bases made in the BRAC 2005 round within a 6-year time frame ending September 15, 2011, 6 years from the date the President submitted to Congress his approval of the recommendations.

In making its 2005 realignment and closure proposals, DOD applied legally mandated selection criteria that included military value as the primary consideration, as well as expected costs and savings, economic impact to local communities, community support infrastructure, and environmental impact. Military value—which includes such considerations as an

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<sup>12</sup> The first round in 1988 was authorized by the Defense Authorization Amendments and Base Closure and Realignment Act, Pub. L. No. 100-526, Title II (1988) (as amended). Subsequently, additional BRAC rounds were completed in 1991, 1993, and 1995 as authorized by the Defense Base Closure and Realignment Act of 1990, Pub. L. No. 101-510, Title XXIX (1990) (as amended). The latest round—BRAC 2005—was authorized by the National Defense Authorization Act for Fiscal Year 2002, Pub. L. No. 107-107, Title XXX (2001).

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installation's current and future mission capabilities, condition, ability to accommodate future needs, and cost of operations—was the primary criteria for making recommendations as mandated by BRAC law and as reported by both DOD and the Commission. Additionally, in establishing goals for the 2005 BRAC round, the Secretary of Defense, in a November 15, 2002, memorandum initiating the round, expressed his interest in (1) reducing excess infrastructure, which diverts scarce resources from overall defense capability, and producing savings; (2) transforming DOD by aligning the infrastructure with the defense strategy; and (3) fostering jointness by examining and implementing opportunities for greater jointness across DOD.

The 2005 round is unlike previous BRAC rounds because of OSD's emphasis on transformation and jointness, rather than just reducing excess infrastructure. For example, as part of the Army's efforts to transform its forces, the Army included actions to relocate forces from Europe and Korea to domestic installations, which were part of its larger review of bases worldwide. The 2005 round also differs from previous BRAC rounds in terms of the number of closure and realignment actions. While the number of major closures and realignments is a little greater than individual previous rounds, the number of minor closures and realignments is significantly greater than those in all previous rounds combined.<sup>13</sup> DOD plans to execute over 800 closure and realignment actions as part of the 2005 BRAC round, which is more than double the number of actions completed in the prior four rounds combined. The large increase in the number of minor closures and realignments is primarily attributable to the more than 500 actions involving the Army National Guard and Army Reserve, representing over 60 percent of the BRAC actions.

To implement BRAC recommendations, DOD typically must incur various up-front investment costs during the 6-year implementation period in order to achieve long-term savings associated with the recommended actions. Such costs generally include, for example, one-time costs for actions such as military construction and personnel and equipment movement, as well as recurring costs for increased operation and maintenance of facilities and information systems. While savings from this

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<sup>13</sup> DOD defines major closures as installations recommended for closure with plant replacement value exceeding \$100 million and major realignments as installations losing more than 400 military and civilian personnel. Minor closures and realignments are those closures and realignments that do not meet the definitions above.

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investment may begin to accrue over the implementation period, additional savings typically occur annually on a longer-term basis beyond the implementation period ending in fiscal year 2011. One-time savings may include, for example, reduced costs associated with inventory reduction or elimination of planned military construction. Recurring savings may include for example, reduced sustainment costs associated with maintaining less warehouse space. Net annual recurring savings after the implementation period are calculated by subtracting the annual recurring costs from the annual recurring savings. Expected 20-year savings, also referred to as 20-year net present value savings, takes into account all one-time and recurring costs and savings incurred over the fiscal year 2006 through 2025 time period.<sup>14</sup>

For the BRAC 2005 round, the OSD BRAC Office—under the oversight of the Under Secretary of Defense (Acquisition, Technology and Logistics)—has monitored the services' and defense agencies' implementation progress, analyzed budget justifications for significant differences in cost and savings estimates, and facilitated the resolution of any challenges that may impair the successful implementation of the recommendations within the 6-year completion period. To facilitate its oversight role, OSD required the military departments and certain defense agencies to submit a detailed business plan for each of their recommendations. These business plans, which are to be updated every 6 months, include information such as a listing of all actions needed to implement each recommendation, schedules for personnel movements between installations, updated cost and savings estimates based on better and updated information, and implementation completion time frames.

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<sup>14</sup> In the context of BRAC, net present value savings take into account the time value of money in calculating the value of future costs and savings. For fiscal year 2005, DOD used a 2.8 percent discount rate to calculate net present value. To be consistent, we used the same rate in our calculations.

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## Challenges Increase the Risk That Some BRAC Recommendations Might Not Be Completed by the Statutory Deadline

DOD has made progress in implementing the BRAC 2005 round but faces challenges in its ability to meet the September 15, 2011, statutory completion deadline. DOD is more than halfway through the implementation period for BRAC 2005 and has made progress thus far. However, DOD faces several challenges to completing BRAC actions at some locations on time. First, DOD expects almost half of the 800 defense locations responsible for implementing BRAC to complete their recommendations within months of the deadline, and about 230 of those locations anticipate completion within the last 2 weeks of the implementation period. Second, some of these locations, which involve the most costly and complex recommendations, have already encountered delays in their implementation schedules. Third, DOD must synchronize relocating over an estimated 123,000 personnel with the construction or renovation of facilities. Finally, delays in interdependent recommendations could have a cascading effect on the timely completion of related recommendations. OSD recently issued guidance requiring the services and defense agencies to provide status briefings to improve oversight of issues affecting timely implementation of BRAC recommendations. However, this guidance did not establish a regular briefing schedule as needed or require the services to provide information about possible mitigation measures for any BRAC recommendations at risk of not meeting the statutory deadline.

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## DOD Has Made Progress in Implementing BRAC

DOD is more than halfway through the implementation period for BRAC 2005 and has made steady progress thus far. In June 2008, DOD reported to Congress that 59 of 800 affected locations have completed their BRAC actions associated with that location as of December 1, 2007. While much remains to be done, DOD is awarding construction contracts, and DOD officials told us that fiscal years 2008 and 2009 should be the years with the greatest number of construction contract awards. Also, officials told us that high rates of obligation for BRAC military construction funds in fiscal year 2008 indicate that the services and defense agencies are generally meeting schedules for awarding construction contracts.

This was the first BRAC round in which DOD required the services and defense agencies that implement the recommendations to prepare business plans for approval by the OSD BRAC Office. These business plans provide information on actions and time frames as well as cost and savings to help guide implementation. Services and defense agencies responsible for implementing BRAC recommendations were required to obtain business plan approval before beginning implementation. Business plans are updated twice a year, represent the most current information available

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on each recommendation, and serve as a tool for DOD to oversee the implementation of this BRAC round but do not include analysis of the likelihood of completing the recommendation on time.

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### DOD Faces Several Challenges to Completing BRAC Actions at Some Locations on Time

DOD faces several challenges in its ability to implement this round of BRAC by the September 15, 2011, statutory completion deadline. By statute, DOD must complete the recommendations for closing or realigning bases made in the BRAC 2005 round within 6 years from the date the President submitted to Congress his approval of the BRAC Commission's recommendations. Although DOD has made implementation progress in the last 3½ years since BRAC became effective, the department still faces a number of challenges that could affect its ability to complete all BRAC actions by the statutory deadline.

### Many Defense Locations Are Expected to Complete BRAC within Months of the Statutory Deadline

As of June 2008, DOD reported to Congress<sup>15</sup> that about half out of 800 defense locations that are affected by BRAC recommendations expect to complete their BRAC-related actions within the last 9 months of the statutory deadline of September 15, 2011. Further, our analysis of DOD's data shows that about 60 percent, or about 230, of these 400 locations expect to complete their BRAC actions in September 2011—the last two weeks before the statutory deadline. OSD BRAC officials told us some locations might have reported completion dates near the end of the BRAC deadline to allow extra time, although such a practice could represent potentially inaccurate completion estimates. Still, we believe DOD's data provide an indicator of the number of locations that have little room for delays in the BRAC completion schedule.

### DOD Has Experienced Various Delays in the Implementation Schedule for Some of the Most Costly and Complex BRAC Recommendations

Some of the most costly and complex BRAC recommendations that DOD has yet to fully implement have already incurred some setbacks in implementation because of several reasons, including construction problems, the requirement to study environmental impacts, and delays in making decisions about site locations, awarding contracts and acquiring land. According to our analysis, the recommendations discussed are among the most costly, and represent about 30 percent of the total estimated costs to implement this round of BRAC. Many of these recommendations are also complex in that they involve movement of a large number of personnel, large construction projects, and

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<sup>15</sup> DOD, *Report on 2005 Defense Base Closure and Realignment Implementation, Volume I*, (June 2008).



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synchronization with other recommendations. Some of the most costly recommendations that have experienced delays are as follows:

- **Close National Geospatial-Intelligence Agency leased locations and realign others to Fort Belvoir, Virginia.** DOD officials told us that construction of the National Geospatial-Intelligence Agency's new \$1.5 billion building at Fort Belvoir is currently on schedule. However, there is minimal schedule margin, and as a result, any unmitigated disruptions can jeopardize maintaining the complex construction schedule required to move 8,500 personnel by the statutory deadline. The estimated cost to implement this recommendation is \$2.4 billion according to DOD's fiscal year 2009 budget and the estimated completion date is September 2011.
- **Establish San Antonio Regional Medical Center and realign enlisted medical training to Fort Sam Houston, Texas.** As part of this recommendation, DOD is realigning the inpatient medical function from Lackland Air Force Base to Brooke Army Medical Center at Fort Sam Houston. However, officials with the San Antonio Joint Program Office, which was established to help implement the BRAC decisions affecting San Antonio, told us that construction contract delays have left little time in the implementation schedule to meet the statutory deadline. The estimated cost to implement this recommendation is \$1.7 billion, according to DOD's fiscal year 2009 budget, and the estimated completion date is September 2011.
- **Realign Walter Reed Army Medical Center to Bethesda National Naval Medical Center, Maryland.** Tri-Care Management Activity officials told us that although the implementation schedule for meeting the deadline for this recommendation is on an accelerated track, it will still be tight to meet the 2011 deadline. These officials told us it is taking additional time to finalize the plans for building a world-class medical center facility. According to DOD's fiscal year 2009 budget, the estimated cost to implement this recommendation is \$1.6 billion, and the estimated completion date is September 2011.
- **Realign Maneuver Training to Fort Benning, Georgia.** Construction delays to provide facilities associated with the realignment of the Army's Armor School at Fort Knox, Kentucky, with the Infantry School at Fort Benning, Georgia, to create the new Maneuver Training Center have occurred because of concerns about environmental disturbances to the habitat of the Red-Cockaded Woodpecker at Fort Benning. According to Army officials, these delays have left little, if any, time in the implementation schedules to absorb further delays. The estimated cost to implement this recommendation is \$1.5 billion, according to DOD's fiscal year 2009 budget, and the estimated completion date is August 2011.

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- **Co-locate miscellaneous OSD, defense agency, and field activity leased locations in the District of Columbia Metropolitan Area.** Various delays in the process to select a permanent site for co-locating about 6,400 personnel have slipped the time frame for starting the implementation of this recommendation. The Army had originally planned to relocate these agencies and activities to Fort Belvoir's Engineering Proving Ground, but in August 2007, announced it was considering a nearby location belonging to the U.S. General Services Administration in Springfield, Virginia. Then, in October 2007, the Army announced it was also considering other sites in Northern Virginia, finally deciding on a site in Alexandria, Virginia in September 2008.<sup>16</sup> These delays, according to Army BRAC officials, have significantly compressed the time available to build new facilities and move thousands of personnel by the 2011 statutory deadline. The estimated cost to implement this recommendation is \$1.2 billion according to DOD's fiscal year 2009 budget, and the estimated completion date is September 2011.
  - **Close Fort McPherson, Georgia.** The relocation of Headquarters U.S. Army Forces Command and Headquarters U.S. Army Reserve Command to Fort Bragg, North Carolina, because of the closure of Fort McPherson, has experienced delays. The construction contract for building a new facility for the commands was delayed by 3½ months while requirements for the building were being refined and may jeopardize the Army's ability to meet the BRAC deadline. According to Forces Command officials, there will be enough time to finish construction only if the Army encounters no further significant complications during construction. The construction contract was initially to be awarded in May 2008 but was delayed until September 2008, and the schedule to fully transfer Forces Command to Fort Bragg is very tight. The estimated cost to implement this recommendation is \$798 million, according to DOD's fiscal year 2009 budget, and the estimated completion date is September 2011.
  - **Realign Fort Bragg, North Carolina.** Part of this recommendation requires the relocation of the Army's 7th Special Forces Group to Eglin Air Force Base, Florida. However, delays resulting from concerns about the noise from the Joint Strike Fighter aircraft, which will also be located at Eglin, through the implementation of another BRAC recommendation, have contributed to uncertainties on where to relocate the Special Forces Group at Eglin. As a result, obtaining the required environmental impact studies has taken longer than originally anticipated. As of December 2008, the Army had not started construction of the needed facilities to relocate

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<sup>16</sup> DOD was directed to expand its consideration of other possible sites in the National Defense Authorization Act for Fiscal Year 2008.

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over 2,200 military personnel from Fort Bragg to Eglin.<sup>17</sup> Construction was originally planned to start in October 2008. According to Special Operations officials at Fort Bragg, the time frame to complete this move is extremely tight because of these delays, and they expressed to us their doubts about completing \$200 million in construction on time in order to move all military personnel by the deadline. The estimated cost to implement this recommendation is \$327 million, according to DOD's fiscal year 2009 budget, and the estimated completion date is September 2011.

In addition to the BRAC actions discussed, we also found other BRAC actions that have experienced delays that could jeopardize DOD's ability to meet the statutory 2011 BRAC deadline. Although the individual recommendations are not among the most costly to implement, collectively they illustrate further challenges DOD faces as follows:

- **Realign Army reserve components and construct new Armed Forces Reserve Centers.** According to Army BRAC officials and our analysis, time frames will be tight for completing some of the BRAC recommendations involving building 125 new Armed Forces Reserve Centers. According to Army officials, land still has not yet been acquired for some of these reserve centers. Also, we have previously reported that other BRAC funding priorities caused the Army to delay the start of 20 armed forces reserve projects, compressing the amount of time available to construct the facilities and respond to any construction delays that might arise.<sup>18</sup> The Army rescheduled the start of these projects that it had initially planned to begin construction in either fiscal year 2008 or 2009 to fiscal year 2010—the second to the last year of the BRAC statutory completion period.
- **Relocate medical command headquarters.** Tri-Care Management Activity officials responsible for implementing this BRAC recommendation told us they have had delays in deciding on the actual site to relocate medical command headquarters in the Washington, D.C., area. Factors for the delay include higher than expected cost estimates to renovate a possible site in Maryland and that the current occupants of this site are not expected to vacate the property until 2011, which would be too late to meet the BRAC completion deadline. Anticipating that leasing a site might be the only viable alternative, these officials told us that once a final

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<sup>17</sup> The BRAC recommendation called for moving 1,352 personnel to Eglin, but the Army has added approximately 900 personnel to this move as a non-BRAC action.

<sup>18</sup> GAO, *Military Base Realignments and Closures: Plan Needed to Monitor Challenges for Completing More than 100 Armed Forces Reserve Centers*, [GAO-07-1040](#) (Washington, D.C.: Sept. 13, 2007).

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## Synchronization of Personnel and Equipment Moves with Completion of Construction Projects Is a Challenge

decision on a site was made, they would be in a more informed position to state whether enough time will be available to move several thousand personnel into a leased site by the BRAC deadline.

DOD will face significant challenges in synchronizing the moves of all personnel and equipment into their new locations. Specifically, DOD must synchronize the relocation of over 123,000 personnel with the construction of an estimated \$23 billion in new or renovated facilities. However, delays have left little time in the planning schedule to relocate these personnel by the deadline. For example, the already tight construction schedule for the new National Geospatial-Intelligence Agency building at Fort Belvoir has created some risk for integrating construction activities with the installation of information systems and the relocation of 8,500 agency employees to the new location, according to Fort Belvoir BRAC officials. Fort Belvoir officials also described for us the very complex and detailed ongoing planning for integrating the movement of the numerous organizations affected by another BRAC recommendation that seeks to eliminate leased locations for various Army organizations and consolidate them into two buildings on Fort Belvoir. The officials are conducting a detailed review of the requirements for each organization to ensure that there is enough space for everyone and to develop a schedule to move these organizations into the facility. Complicating the development of this schedule is that many of these organizations work with highly classified, sensitive information and cannot operate outside secured space with controlled access.

Other DOD initiatives outside BRAC will complicate the synchronizing of schedules for moving of people and equipment associated with BRAC. For example, the Army plans to increase the size of its active-duty force by about 65,000 over the next several years. In addition, the repositioning of forces currently stationed in Europe and the Army's ongoing reorganization to become a more modular, brigade-based force have caused other movements and relocations that have to be integrated with the BRAC implementation schedules. The military is also planning on drawing down the level of troops in Iraq and returning some of these forces to U.S. installations. The actions required to simultaneously implement these initiatives with BRAC further complicate the integration of moving schedules for people and equipment and raise the level of risk for further schedule disruptions, which, in turn, raise the risk of BRAC recommendations missing the statutory deadline.

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## Interdependence of Some Moves Creates Additional Challenges

Some BRAC locations are unable to begin renovation of buildings slated to house realigning organizations until current tenants of these buildings vacate, a situation that has delayed the beginning of implementation. For example, as we have previously reported, as part of the BRAC recommendation to close Fort Monmouth, New Jersey, personnel from the Army's Communications-Electronics Life Cycle Management Command currently located at Fort Monmouth are relocating to Aberdeen Proving Ground, Maryland. Army officials originally planned to renovate facilities currently occupied by a training activity for some of these employees. The training activity is scheduled to relocate to Fort Lee, Virginia, through another BRAC action; however, Army officials said that the new facilities for the training activity would not be complete as originally planned, a setback that, in turn, would delay the renovation of the Aberdeen facilities for the incoming employees. The delays in construction at Fort Lee resulted in the Army having to plan to build a new facility, rather than renovate an existing facility at Aberdeen Proving Ground at an additional cost of \$17 million, to avoid the risk that the facility renovations could not be completed in time for the personnel to relocate into renovated facilities at Aberdeen.<sup>19</sup>

According to a Fort Belvoir official, two buildings at the installation will be used to house various Army organizations that are currently in leased space and will be relocating to Fort Belvoir as directed in a BRAC recommendation. However, the Army Materiel Command is still using the two buildings pending its relocation to Huntsville, Alabama, as part of another BRAC recommendation. To further complicate the situation, the Army Materiel Command is hiring employees for a new organization, to be called Army Contracting Command, which will also be housed in the two buildings eventually planned to house the Army organizations that are currently in leased space. Until Army Materiel Command and the newly hired employees of Army Contracting Command move out of these buildings, Fort Belvoir officials cannot begin renovating the building for its new tenants. However, construction delays in Huntsville have caused the Army Materiel Command to delay its move to the Huntsville area. Furthermore, Fort Belvoir officials told us that a decision has not yet been made on the location for the newly formed Army Contracting Command and that if both this new command as well as the Army Materiel Command

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<sup>19</sup> GAO, *Military Base Realignments and Closures: Army Is Developing Plans to Transfer Functions from Fort Monmouth, New Jersey, to Aberdeen Proving Ground, Maryland, but Challenges Remain*, [GAO-08-1010R](#) (Washington, D.C.: Aug. 13, 2008).

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do not vacate the two buildings in question by June 2011, it would be nearly impossible to meet the statutory deadline. Again, this example demonstrates that delays in interdependent recommendations could have a cascading effect on other recommendations being completed on time.

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**OSD Recently Took Action to Obtain More Information on Issues That Could Affect Meeting the Statutory Deadline**

As we concluded our fieldwork, the Deputy Under Secretary of Defense (Installations and Environment) issued a memo dated November 21, 2008, providing guidance that required the military services and defense agencies to present periodic status briefings to OSD on implementation progress “to ensure senior leadership is apprised of significant issues impacting implementation of the BRAC recommendations” by the September 15, 2011, deadline. According to this guidance, at a minimum, the briefings are to include information on projected and actual construction contract award dates and construction completion dates, as well as BRAC actions completed. The requirement to provide these briefings is applicable only to those recommendations that are expected to have a one-time cost of \$100 million or greater. The first round of such briefings was conducted in the first two weeks of December 2008. We believe that OSD should be commended for taking this positive step toward enhancing its oversight of BRAC implementation. However, OSD may still not be in a position to fully assist the services in taking mitigating measures, if warranted, to better ensure all BRAC actions are completed by the statutory deadline because the guidance does not establish a regular briefing schedule or require the services to provide information about possible mitigation measures.

First, the guidance does not require the briefings to be conducted on a firm schedule for the duration of the implementation period. Unlike BRAC business plans that are to be updated every 6 months, after an initial round of briefings to be conducted in December 2008, the guidance requires only periodic updates to status briefing “as necessary” and does not specify who determines when such updates are deemed necessary. However, given the large number of locations that expect to complete their BRAC actions within months or weeks of the statutory deadline and the possibility of delays where little leeway exists, OSD would benefit from early warning and consistent monitoring of implementation challenges that could put completion schedules at those locations at further risk.

Second, OSD’s recent guidance does not require the services and defense agencies to provide information about steps that could be taken to mitigate the effects of the implementation challenges they identify. We have advocated the use of a risk management approach to reduce, where

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possible, the potential that an adverse event will occur, reducing vulnerabilities as appropriate, and putting steps in place to reduce the effects of any event that does occur.<sup>20</sup> With information about mitigation strategies that the services have developed or could develop, OSD BRAC could be in a position to provide assistance and coordination that could better enable the services and defense agencies to stay on schedule.

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## BRAC Implementation Cost Estimates Are Higher and Savings Estimates Are Lower Compared to Previous Fiscal Year

DOD's BRAC fiscal year 2009 budget submission shows that DOD plans to spend more and save less as compared to last year's BRAC budget submission to implement the recommendations. DOD's 2009 estimated one-time costs to implement this BRAC round increased by \$1.2 billion. Net annual recurring savings estimates decreased by almost \$13 million. In addition, our calculations show that expected savings over a 20-year period ending in 2025 declined by \$1.3 billion.

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## Estimated One-Time Costs Have Increased

DOD's BRAC fiscal year 2009 budget submission shows that DOD plans to spend more to implement its BRAC recommendations compared to last year's BRAC budget. Specifically, DOD's cost estimates increased by \$1.2 billion in DOD's 2009 budget to a total estimated cost of \$32.4 billion to implement this BRAC round. In September 2005, the BRAC Commission originally estimated the costs to be about \$21 billion. The overall estimated cost increase of \$1.2 billion is a cumulative cost increase because some recommendations are expected to cost less while others could cost more. Nonetheless, our analysis shows that \$1.1 billion (93 percent) of the estimated \$1.2 billion increase occurred in six recommendations. For example, the recommendation to realign the National Geospatial-Intelligence Agency to Fort Belvoir, Virginia, had the largest increase in estimated costs—almost \$350 million. Five other recommendations make up the remaining majority of the estimated cost increase: 1) close Fort McPherson, Georgia; 2) close Fort Monmouth, New Jersey; 3) establish a regional medical center and realign medical training to Fort Sam Houston, Texas; 4) consolidate depot-level reparable procurement management; and 5) realign to establish the Combat Service Support Center at Fort Lee, Virginia. Table 1 shows the increase in cost estimates for these six

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<sup>20</sup> GAO, *Hurricane Katrina: GAO's Preliminary Observations Regarding Preparedness, Response, and Recover*, [GAO-06-442T](#) (Washington, D.C.: Mar. 8, 2006) and GAO, *Defense Management: Additional Actions Needed to Enhance DOD's Risk-Based Approach for Making Resource Decisions*, [GAO-06-13](#) (Washington, D.C.: Nov. 15, 2005).

recommendations comparing fiscal year 2008 budgets to fiscal year 2009 budgets.

**Table 1: BRAC Recommendations with the Largest Increases in One-Time Estimated Costs from Fiscal Year 2008 to Fiscal Year 2009**

Dollars in millions			
Recommendation	Fiscal year 2008 cost estimate	Fiscal year 2009 cost estimate	Net cost increase
Close National Geospatial-Intelligence Agency leased locations and realign others at Fort Belvoir, Va.	\$2,091	\$2,441	\$350
Close Fort McPherson, Ga.	550	798	248
Close Fort Monmouth, N.J.	1,458	1,595	136
Establish San Antonio Regional Medical Center and realign enlisted medical training to Fort Sam Houston, Tex.	1,591	1,724	133
Consolidate depot level reparable procurement management.	264	392	128
Realign to establish Combat Service Support Center at Fort Lee, Va.	1,145	1,270	124
<b>Total one-time estimated costs from the BRAC recommendations listed above</b>	<b>\$7,099</b>	<b>\$8,219</b>	<b>\$1,120</b>
<b>Total one-time estimated costs from all other BRAC recommendations</b>	<b>\$24,133</b>	<b>\$24,214</b>	<b>\$81</b>
<b>Total one-time estimated costs for all BRAC recommendations</b>	<b>\$31,232</b>	<b>\$32,433</b>	<b>\$1,201</b>

Source: GAO analysis of DOD data.

Notes: Amounts are in current dollars (i.e., includes projected inflation).

Totals may not add because of rounding.

In addition, various cost categories that make up each recommendation's estimated costs have also experienced increases and decreases when comparing DOD's fiscal year 2008 budget to the fiscal year 2009 budget. These cost categories are one-time costs for items and activities such as construction, environmental clean-up, and operation and maintenance. Our analysis of DOD's budget data showed the largest estimated cost increase occurred in the military construction cost category. For example, estimated construction costs increased by nearly \$1.5 billion; however, this cost increase was offset by decreases in other cost categories as shown in table 2.



**Table 2: Comparison of BRAC Cost Categories from Fiscal Year 2008 to Fiscal Year 2009**

Dollars in millions			
BRAC cost category	Fiscal year 2008 cost estimate	Fiscal year 2009 cost estimate	Cost estimate increase or (decrease) from fiscal year 2008 to 2009
Military construction	\$21,281	\$22,765	\$1,484
Operation and maintenance	6,649	7,134	485
Other <sup>a</sup>	2,008	1,561	(447)
Environmental	792	525	(267)
Miscellaneous <sup>b</sup>	503	449	(54)
<b>Total costs</b>	<b>\$31,233</b>	<b>\$32,434</b>	<b>\$1,201</b>

Source: GAO analysis of DOD provided data.

Note: Totals may not add because of rounding.

<sup>a</sup> The other cost category is composed of items such as information technology items.

<sup>b</sup> Miscellaneous costs includes various items such as military personnel permanent change of station, homeowners assistance program, one-time costs funded outside the BRAC account, and other DOD-made funding adjustments.

The overall total increase of \$1.2 billion does not include about \$416 million to accelerate and enhance the realignment and closure of Walter Reed Army Medical Center in the District of Columbia and the movement of its operations to the renovated Bethesda Naval Medical Center, Maryland, and a new hospital at Fort Belvoir, Virginia. DOD received these funds in its fiscal year 2008 supplemental request. OSD BRAC officials told us that they intend to seek an additional \$263 million to complete the Walter Reed realignment, but these funds have not yet been provided and are also not included in the overall total increase of \$1.2 billion. According to OSD BRAC officials, \$416 million will be reflected in the fiscal year 2010 President's Budget, as will the additional \$263 million if these funds are provided to BRAC before the 2010 budget is submitted to Congress sometime in early 2009.

In addition, our analysis of the 2005 BRAC round, based on DOD's fiscal year 2009 budget estimates, indicates that relatively few recommendations are responsible for a majority of the expected cost. Specifically, we determined that the planned implementation of 30 recommendations (or about 16 percent of the total 182 recommendations) is expected to account for about 72 percent of the expected one-time costs. (See app. II for a listing of those BRAC recommendations DOD expects to cost the most.)

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## Net Annual Recurring Savings Estimates Have Decreased

While estimated implementation costs have risen, overall estimated net annual recurring savings<sup>21</sup> have decreased slightly by about \$13 million to about \$4 billion based on DOD's approach to include savings from military personnel who transferred or shifted from one location to another but remained on the payroll.<sup>22</sup> In September 2005, the BRAC Commission originally estimated annual recurring savings to be about \$4.2 billion. This amount included the savings associated with military personnel eliminations. Some recommendation savings estimates have decreased while others have increased, but the cumulative effect is an overall decrease in estimated annual recurring savings. For example, the largest decrease in net annual recurring savings was about \$84 million for the recommendation to establish joint bases, which decreased from about \$116 million in savings in the fiscal year 2008 budget submission to \$32 million in the fiscal year 2009 budget submission. Discussions with agency officials involved with implementing this recommendation indicate that the savings could decrease further in the future. In contrast, the largest increase in net annual recurring savings was about \$58 million for the recommendation to establish the San Antonio Regional Medical Center and realigning enlisted medical training to Fort Sam Houston, Texas, which increased from about \$91 million in savings in the fiscal year 2008 budget submission to \$149 million in the fiscal year 2009 budget submission. OSD BRAC officials told us they expect 2012 to be the first year to accrue the full amount of net annual recurring savings because some recommendations are not expected to be completed until around the September 15, 2011, deadline and significant savings generally do not begin to accrue until implementation is complete.

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## Twenty-Year Savings Have Decreased

Given the cumulative increase in estimated one-time costs and decrease in estimated net annual recurring savings, the estimated savings over a 20-year period ending in 2025, based on DOD's fiscal year 2009 budget

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<sup>21</sup> Net annual recurring savings comparisons are based on OSD projections for fiscal year 2012 and beyond.

<sup>22</sup> As we have previously reported, we and the BRAC Commission believe that DOD's net annual recurring savings estimates may be overstated because they include savings from eliminating military personnel positions without corresponding decreases in end-strength. DOD disagrees with our position. Savings for eliminating military personnel positions as defined by DOD's approach account for about \$1.85 billion—46 percent of total current estimated recurring savings of \$4 billion.

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submission, has also decreased.<sup>23</sup> Our calculations show that the 20-year savings declined almost 9 percent by \$1.3 billion to about \$13.7 billion, compared to \$15 billion that we estimated based on the fiscal year 2008 budget. In September 2005, the BRAC Commission estimated that DOD would save about \$36 billion over this 20-year period—the current estimate is a reduction of about 62 percent from the BRAC Commission’s reported estimates. Further, we determined that 30 recommendations (about 16 percent of all 2005 BRAC recommendations) account for about 85 percent of the expected savings over a 20-year period. (See app. IV for a listing of those BRAC recommendations DOD expects to save the most over a 20-year period.) The decrease in 20-year savings is directly related to the growth in estimated one-time cost and to the reduction in estimated annual recurring savings.

As with annual recurring savings, the 20-year savings estimate of about \$13.7 billion includes the savings associated with the elimination of military personnel. We have previously reported that military personnel position eliminations are not a true source of savings since DOD intends to reassign or shift personnel to other positions without reducing military end strength associated with the corresponding BRAC recommendation.<sup>24</sup> DOD disagrees with our position.

In addition, our analysis shows the number of BRAC recommendations not expected to achieve net savings over a 20 year period has continued to increase since 2005. Specifically, based on the revised 20-year savings estimates, 74 recommendations are not expected to result in a positive net savings over 20 years, compared to 73 we identified in fiscal year 2008, and 30 estimated by the BRAC Commission in 2005. OSD BRAC officials told us that, although the 20-year savings estimate is less than was estimated in 2005 by the BRAC Commission, the department expects the implementation of this BRAC round to produce capabilities that will

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<sup>23</sup> Twenty-year savings, also known as 20-year net present value in the BRAC Commission’s report, is a financial calculation that accounted for the time value of money by determining the present value of future savings minus up-front investment costs over a specific period of time. Determining net present value is important because it illustrates both the up-front investment costs and long-term savings in a single amount. In the context of BRAC implementation, net present value is calculated for a 20-year period from 2006 through 2025.

<sup>24</sup> We included the savings from military personnel eliminations in our report for ease of comparison.

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enhance defense operations and management, despite less than anticipated savings.

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## Cost Estimates Could Continue to Rise, but the Potential for Savings Estimates to Change Is Unclear

Although DOD is almost 3½ years into the 6-year implementation period for this round of BRAC, cost estimates could potentially continue to increase, but the potential for changes in savings estimates is less clear. Cost estimates could increase because of inflation and increased demand for construction in some areas, although changing market conditions that existed at the time of our report could reverse these trends in DOD's favor. There is less visibility into potential changes in savings estimates because some military services and defense agencies are not periodically updating their BRAC savings estimates, and OSD is not enforcing its regulation requiring them to do so.

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## Cost Estimates Could Continue to Rise

BRAC 2005 implementation costs have the potential to continue to increase because of sharp increases in the prices of fuel and in construction materials such as steel, concrete and copper during most of 2008. The one-time implementation cost estimates for BRAC 2005 rose by about \$1.2 billion from fiscal years 2008 to 2009 primarily because of increases in the cost of military construction. The potential for additional cost increases is particularly important to the Army, as it is expected to incur the majority of the military construction costs related to base closures and realignments. For example, our analysis of DOD's fiscal year 2009 BRAC budget data shows that the Army's estimated cost of about \$13 billion for BRAC military construction accounted for nearly 60 percent of the total BRAC military construction estimate of about \$22.8 billion. Moreover, the factors that drove the military construction costs up in fiscal year 2007 continued to exert upward pressure on prices through the end of fiscal year 2008. According to the U.S. Army Corps of Engineers officials, the prices of steel, concrete, and copper rose considerably from 2005 to 2008 because of worldwide demand. Our analysis of producer price index data compiled by the Bureau of Labor Statistics found that the price of steel rose by about 40 percent over that period. The price of concrete rose by about 18 percent, while copper rose over 124 percent from 2005 to 2008. In addition, fuel prices rose steadily from 2007 until August 2008, when they started to drop.

Another factor that could drive up construction prices is the increased demand for construction in some markets. Specifically, BRAC implementing officials expressed concern that construction costs have the potential to increase in areas already experiencing high commercial

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construction demands such as the National Capital Region, Washington, D.C., and San Antonio, Texas. Army Corps of Engineers officials told us they are concerned about what effect construction demand might have on bids given the sizable amount of construction to take place in a limited amount of time to meet the BRAC statutory completion time frame. Additionally, service officials at various installations expressed concern about the potential for increases in construction costs because of ongoing reconstruction because of damage caused by natural disasters such as hurricanes and flooding, coupled with the large volume of anticipated BRAC construction that could also affect bids.

Further, we reported in December 2007<sup>25</sup> that the inflation rates prescribed by DOD and the Office of Management and Budget for developing BRAC budget estimates had been lower than the actual rate of construction inflation for the last several years; therefore, the use of these rates could underestimate actual construction costs. To the extent that the actual rate of inflation continues to exceed the budgeted rate as implementation proceeds, and construction material costs are higher than anticipated, U.S. Army Corps of Engineers officials have said that they would either have to redirect funding from other sources to provide for construction projects or resort to a reduction in the scope of some construction projects.

Although the economy slowed down and fuel prices began to drop in mid-to-late 2008, several bids for construction contracts that had been advertised prior to these events have come in at levels higher than programmed by the U.S. Army Corps of Engineers. For example, the construction bids to build a general instruction complex associated with the BRAC recommendation to create a Maneuver Center at Fort Benning, Georgia, were \$16 million over budgeted amounts. In another case, the estimate for building a defense media center is currently \$65 million, while the programmed amount is \$44 million—a difference of \$21 million. Although bids have been above budgeted amounts for some projects, the difference has been offset to some extent by other bids that had come in under budgeted amounts for other projects.

Furthermore, as a result of the increasing construction prices, higher than expected construction bids, and revisions to facility designs and scope, the

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<sup>25</sup> GAO, *Military Base Realignments and Closures: Cost Estimates Have Increased and Are Likely to Continue to Evolve*, [GAO-08-159](#) (Washington, D.C.: Dec. 11, 2007).

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Army identified a potential BRAC cost increase of approximately \$2.6 billion, with military construction accounting for about \$1.4 billion and various operation and maintenance costs accounting for the remaining \$1.2 billion. In the summer of 2008, Army officials told us that a high-level meeting was held with Army leadership, known as the Stationing Senior Review Group, to discuss ways to resolve the potential BRAC cost increases. Subsequently, the Army's Office of the Assistant Chief of Staff for Installation Management made clear in an August 2008 memorandum that further growth in BRAC 2005 implementation must be avoided. BRAC officials told us that the results of these discussions on potential cost increases would be reflected in the fiscal year 2010 budget submission to Congress. DOD expects the release of the fiscal year 2010 BRAC budget submission to be after the issuance of this report; thus, we are unable to comment on Army's recent actions to contain further cost growth related to it base closures and realignments.

We believe that if the escalating pressures on the cost of construction continue, DOD may have difficulty in completing planned construction projects within currently estimated amounts in the BRAC accounts. However, at the time we concluded our fieldwork in December 2008, the U.S. economy had begun to experience a slowdown. Fuel prices, for example, had dropped precipitously compared to where they had been earlier in the year. The price of copper and concrete had also begun to decline, but prices of these two commodities nonetheless remained above 2007 levels. A continued reduction in commodities prices and further downturn in the U.S. economy could work in DOD's favor to reduce the price of future construction contracts.

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## Potential for Savings Estimates to Change Is Unclear

For the current BRAC round, the potential for savings estimates to change is unclear because some military services are not updating their savings estimates as required by DOD regulation.<sup>26</sup> DOD's Financial Management Regulation for BRAC appropriations has instructed the services and defense agencies to update estimates in their annual budget submissions since at least June 1998. Specifically, the regulation requires that budget justification books include exhibits reporting savings estimates for the BRAC 2005 round that are based on the best projection of what savings will actually accrue from approved realignments and closures. Further,

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<sup>26</sup> DOD Financial Management Regulation, 7000.14R, vol. 2B, ch. 7, *Base Realignment and Closure Appropriations*, para. 070303E (Sept. 2008).

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the regulation states that prior year estimated savings must be updated to reflect actual savings, when available.

Our prior and current work shows that some of the military services have not updated their savings estimates periodically, thereby contributing to unrealistic BRAC net savings estimates. Specifically, our analysis shows that some of the defense agencies and the Navy updated savings estimates for some of their recommendations. For example, on the one hand, officials responsible for implementing two BRAC recommendations associated with substantial expected savings—establishing naval fleet readiness centers at multiple installations across the country and realigning medical care and training in San Antonio, Texas—told us they updated their savings estimates in the fiscal year 2009 BRAC budget based on maturing implementation plans. On the other hand, BRAC implementing officials for the Army and the Air Force told us they do not plan to update their savings estimates and will continue to report the same savings estimates reported to Congress in February 2007 despite any revisions in implementation details or completion schedules that could cause savings estimates to change. Army and Air Force officials told us that, since the savings reported to Congress had already been “taken” from their budgets, there was no incentive to update those estimates. Thus, Army and Air Force officials told us that they do not plan to update savings estimates for the remainder of BRAC implementation, despite the requirement in DOD’s Financial Management Regulation to do so. However, outdated savings estimates undermine the ability of Congress to monitor savings, a key indicator of success in BRAC implementation.

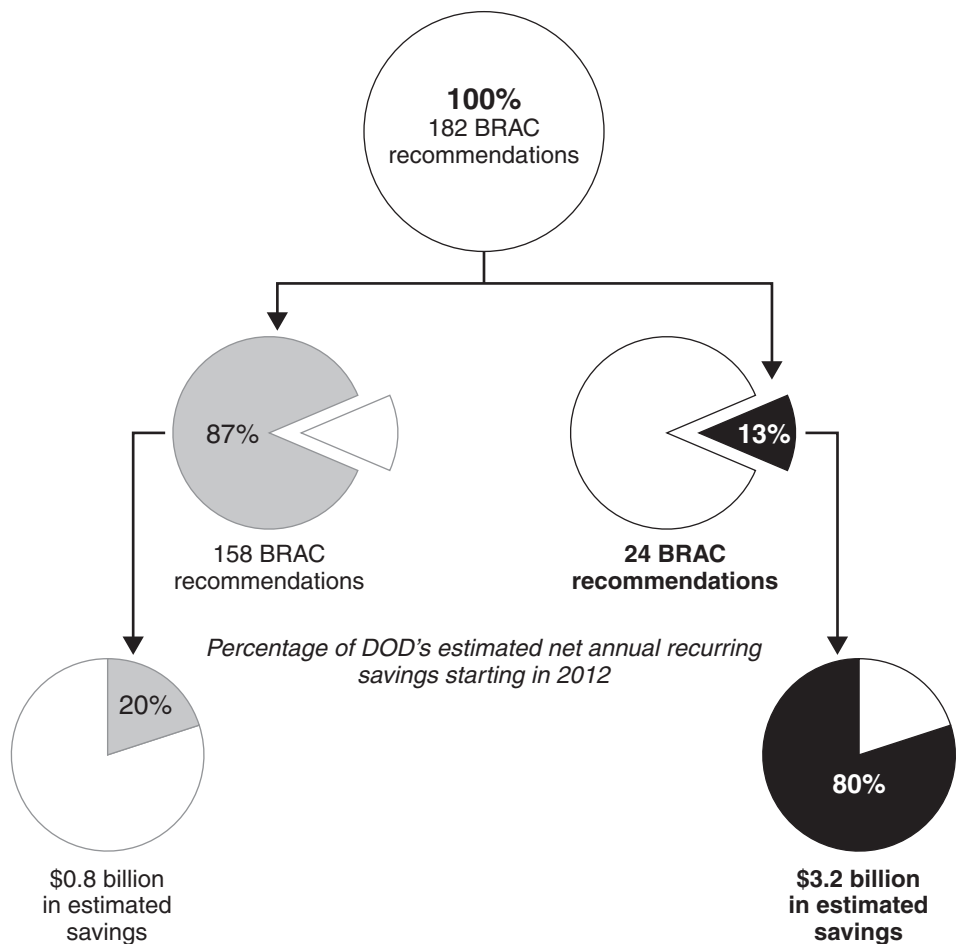
The issue of updating BRAC savings estimates is not new. We have previously reported that the military services, despite DOD guidance directing them to update savings estimates (for prior BRAC rounds) in their annual budget submissions, had not periodically updated these estimates, thereby contributing to imprecision and a lack of transparency in overall BRAC estimated net savings figures.<sup>27</sup> Service officials have acknowledged that updating savings has not been a high priority and that instead, they have focused their resources on developing cost estimates for the annual budget submission. However, OSD BRAC and OSD Comptroller officials told us that they believe savings estimates should be updated based on evolving implementation plans.

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<sup>27</sup> GAO, *Military Base Closures: Updated Status of Prior Base Realignments and Closures*, [GAO-05-138](#) (Washington, D.C.: Jan. 13, 2005).

In addition, our analysis of DOD's fiscal year 2009 budget estimates for the 2005 BRAC round indicates that a majority of the expected savings are related to the implementation of a small percentage of recommendations. Specifically, we determined that the planned implementation of 24 recommendations (about 13 percent of all 2005 BRAC recommendations) accounts for about 80 percent, or nearly \$3.2 billion, of the estimated net annual recurring savings. (See fig. 1.) A list of these recommendations can be found in appendix III.

**Figure 1: Small Percentage of BRAC Recommendations Generates Majority of Estimated Savings**



Source: GAO analysis based on DOD data.



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Since DOD promoted the latest round of BRAC partly on the premise that it would save money, we believe that imprecise savings estimates could diminish public trust in the BRAC process. Furthermore, without updated BRAC savings estimates, as required in DOD's own Financial Management Regulation, DOD decision makers and Congress may be left with an unrealistic sense of the savings this complex and costly BRAC round may actually produce, a situation that could be used to justify another round of BRAC in the future.

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## Conclusions

Given the exceptional size, complexity, and cost of the 2005 BRAC round, the challenges to successfully implementing recommendations at over 800 locations—while simultaneously undergoing extensive force structure transformations—within the congressionally mandated 6-year implementation period are similarly unprecedented. Complete and timely information about the obstacles the services and defense agencies are facing and any possible mitigation measures for those recommendations that are at risk could enhance the management and oversight ability of the OSD BRAC office. Although OSD has recently asked the services and defense agencies to inform it of significant issues affecting implementation of BRAC recommendations by the statutory deadline, its November 2008 guidance does not specify a further schedule for briefings. Given the tight time frames for completing some recommendations and the complexity of the challenges some recommendations face, OSD may not have enough advance warning to effectively help the services and defense agencies overcome challenges that could threaten their ability to complete some of the hundreds of actions planned to take place within weeks of the congressionally mandated BRAC deadline. Furthermore, if the services and defense agencies provided OSD with information about possible measures that could be taken to mitigate those challenges on a regular and known schedule, OSD could more effectively reallocate resources, realign priorities, and coordinate joint solutions as warranted.

Anticipated savings was an important consideration in justifying the need for the 2005 BRAC round. Before DOD can realize substantial savings from this large and complex BRAC round that it could redirect to other priorities, the department must first invest billions of dollars in facility construction, renovation, and other up-front expenses. As the cost of implementing BRAC 2005 recommendations increases, it is important for decision makers to maintain clear visibility over the evolving potential for savings as a result of the BRAC process. Updated savings estimates will add specificity to DOD's assessment of how much money will become available for other purposes and help avoid unnecessary appropriations

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from Congress. Moreover, without more precise savings estimates through the end of the current round's implementation period, Congress and DOD will lack an important perspective about BRAC results that could inform decisions about any future BRAC rounds. In addition, more precise estimates are important to preserving public confidence in the BRAC program. Finally, the periodic updating of savings estimates is a good financial management practice that could strengthen DOD's budgeting process by helping to ensure that the department relies on realistic assumptions in formulating its budgets.

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## Recommendations for Executive Action

To enhance OSD's role in overseeing the implementation of BRAC 2005 recommendations and managing challenges that could impact DOD's ability to achieve full BRAC implementation by the statutory deadline, we recommend that the Secretary of Defense direct the Under Secretary of Defense (Acquisition, Technology and Logistics) to modify the recently issued guidance on the status of BRAC implementation to

- establish a briefing schedule with briefings as frequently as OSD deems necessary to manage the risk that a particular recommendation may not meet the statutory deadline, but as a minimum, at 6-month intervals, through the rest of the BRAC 2005 implementation period, a schedule that would enable DOD to continually assess and respond to the challenges identified by the services and defense agencies that could preclude recommendation completion by September 15, 2011, and
- require the services and defense agencies to provide information on possible mitigation measures to reduce the effects of those challenges.

To ensure that BRAC savings estimates are based on the best projection of what savings will actually accrue from approved realignments and closures, we recommend that the Secretary of Defense direct the Under Secretary of Defense (Acquisition, Technology and Logistics); the Under Secretary of Defense (Comptroller); and the military service secretaries to take steps to improve compliance with DOD's regulation requiring updated BRAC savings estimates.

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## Agency Comments and Our Evaluation

In written comments on a draft of our report, DOD concurred with all three of our recommendations. DOD noted that BRAC business managers have and will continue to provide briefings on the status of implementation actions associated with recommendations exceeding \$100 million, and that these briefings provide a forum for BRAC business managers to explain their actions to mitigate challenges. In addition, DOD agreed that updating savings estimates on a regular basis is essential. The

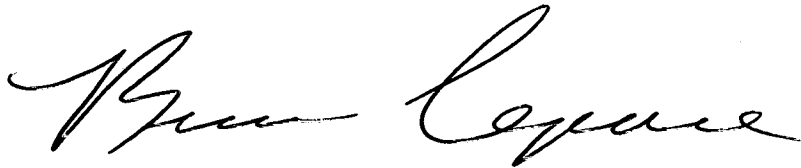
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department stated that it is emphasizing savings updates during its briefings and in all future business plan approval documentation. DOD's written comments are reprinted in appendix V. DOD also provided technical comments, which we have incorporated into this report as appropriate.

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We are sending copies of this report to interested congressional committees; the Secretary of Defense; the secretaries of the Army, Navy, and Air Force; Commandant of the Marine Corps; and the Director, Office of Management and Budget. In addition, the report will be available at no charge on GAO's Web site at <http://www.gao.gov>.

If you or your staff have any questions concerning this report, please contact me on (202) 512-4523 or by e-mail at [leporeb@gao.gov](mailto:leporeb@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs are on the last page of this report. GAO staff who made major contributions to this report are listed in appendix VI.

A handwritten signature in black ink, appearing to read "Brian Lepore". The signature is fluid and cursive, with the first name "Brian" and last name "Lepore" clearly distinguishable.

Brian J. Lepore, Director  
Defense Capabilities and Management

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*List of Congressional Committees*

The Honorable Carl Levin  
Chairman  
The Honorable John McCain  
Ranking Member  
Committee on Armed Services  
United States Senate

The Honorable Joseph Lieberman  
Chairman  
The Honorable Susan Collins  
Ranking Member  
Committee on Homeland Security and  
Governmental Affairs  
United States Senate

The Honorable Daniel K. Inouye  
Chairman  
The Honorable Thad Cochran  
Ranking Member  
Subcommittee on Defense  
Committee on Appropriations  
United States Senate

The Honorable Tim Johnson  
Chairman  
The Honorable Kay Bailey Hutchison  
Ranking Member  
Subcommittee on Military Construction,  
Veterans Affairs, and Related Agencies  
Committee on Appropriations  
United States Senate

The Honorable Ike Skelton  
Chairman  
The Honorable John M. McHugh  
Ranking Member  
Committee on Armed Services  
House of Representatives

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The Honorable John P. Murtha, Jr.  
Chairman  
The Honorable C.W. Bill Young  
Ranking Member  
Subcommittee on Defense  
Committee on Appropriations  
House of Representatives

The Honorable Chet Edwards  
Chairman  
The Honorable Zach Wamp  
Ranking Member  
Subcommittee on Military Construction,  
Veterans Affairs, and Related Agencies  
Committee on Appropriations  
House of Representatives

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# Appendix I: Scope and Methodology

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We reviewed the Defense Base Closure and Realignment Commission's 182 recommendations to realign and close military bases as presented in its September 2005 report to the President. We reviewed relevant documentation and interviewed officials in the Office of the Deputy Under Secretary of Defense (Installations and Environment) responsible for overseeing BRAC implementation and associated BRAC implementation offices in the Army, the Navy, and the Air Force. Given the unprecedented number of BRAC 2005 closures and realignments, we generally focused our analysis on those recommendations that DOD either expects to cost the most or save the most.

To assess the challenges DOD faces that might affect the implementation of the BRAC recommendations by the statutory completion deadline of September 15, 2011, we reviewed relevant documentation including BRAC business plans, DOD presentations on BRAC implementation status, and prior GAO reports. We also interviewed officials in the Office of the Deputy Under Secretary of Defense (Installations and Environment) and associated BRAC offices, commands, and defense agencies that were implementing some of the complex or most costly BRAC realignments or closures to obtain the perspective of officials directly involved in BRAC implementation planning and execution. We also selected some of these installations or commands because they were responsible for implementing recommendations with a significant number of actions such as the completion of construction and movement of personnel expected to occur near the statutory deadline. At these locations, we discussed the specific challenges associated with implementing BRAC recommendations. In addition, we used DOD's annual report to Congress to identify estimated completion dates.<sup>1</sup> Finally, we reviewed OSD's November 21, 2008, memo to the services and defense agencies responsible for implementing BRAC recommendations and assessed OSD's requirements for briefings on the status of BRAC implementation.

To assess changes in DOD's reported cost and saving estimates since the fiscal year 2008 budget submission, we compared the fiscal year 2009 BRAC budget submission to the fiscal year 2008 budget submission. We used DOD's BRAC budget submissions because these documents are the most authoritative information that is publicly available for comparing BRAC cost and savings estimates and because these submissions are the

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<sup>1</sup> DOD, *Report on 2005 Defense Base Closure and Realignment Implementation, Volume I*, (June 2008).

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basis on which DOD seeks appropriations from the Congress. We then calculated dollar-amount differences for cost estimates and noted those recommendations that have increased the most in expected costs. To assess changes in DOD's estimate of net annual recurring savings, we used OSD's data provided to us for estimated savings in fiscal year 2012—the year after OSD expects all recommendations to be completed—because this data more fully captured these savings. We used OSD's data for fiscal year 2008 and fiscal year 2009 to make comparisons. In addition, to determine expected 20-year savings—also known as the 20-year net present value—we used the same formulas and assumptions as DOD and the BRAC Commission used to calculate these savings.<sup>2</sup> Specifically, we used DOD's BRAC fiscal year 2009 budget data for expected costs and savings to implement each recommendation for fiscal years 2006 through 2011. We also used data that the OSD BRAC office provided us for expected net annual recurring savings after the completion of each recommendation for fiscal years 2012 to 2025. We then converted these data to fiscal year constant 2005 dollars using DOD price indexes to distinguish real changes from changes because of inflation. We used fiscal year 2005 dollars to calculate 20-year savings because the BRAC Commission also used fiscal year 2005 dollars for this calculation. Applying the same formulas and assumptions as used by the BRAC Commission, we used a 2.8 percent discount rate to calculate the accumulated net present value of expected 20-year savings.

To assess the reliability of DOD's BRAC cost and savings data, we tested computer-generated data for errors, reviewed relevant documentation, and discussed data quality control procedures with OSD BRAC officials. We determined that the data were sufficiently reliable for the purposes of making cost and savings comparisons for BRAC recommendations. We generally reported these estimated cost and savings in current dollars and not constant dollars except where noted.

Finally, to evaluate the potential for BRAC cost and savings estimates to continue to change as the department proceeds with BRAC

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<sup>2</sup> DOD reported 20-year savings estimates for each base closure and realignment recommendation in its report to the BRAC Commission. Subsequently, the BRAC Commission also reported 20-year savings estimates for each BRAC recommendation in its report to the President. OSD BRAC officials told us that DOD does not include 20-year savings estimates in its BRAC budgets to Congress because this information is not required. Consequently, we calculated 20-year savings for comparison purposes in a manner consistent with the BRAC Commission's calculation of these savings.

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implementation, we interviewed officials from the Office of the Deputy Under Secretary of Defense (Installations and Environment), who are responsible for overseeing the implementation of BRAC recommendations and from associated BRAC implementation offices in the Army, Navy, and Air Force to discuss plans and procedures for updating these estimates. We also discussed plans and procedures for updating estimates with the Office of the Under Secretary of Defense (Comptroller). In addition, we discussed BRAC construction cost estimates with the U.S. Army Corps of Engineers because of its major role in planning and executing military construction projects. Further, we discussed cost and savings assumptions with officials from the military services responsible for implementing certain recommendations to better understand the potential for changes to cost and savings estimates.

To obtain the perspective of installation and command officials directly involved in BRAC implementation planning and execution, we visited 12 installations, commands, or defense agencies affected by BRAC. We selected these installations and commands because they were among the closures or realignments that DOD projected to have significant costs or savings and to obtain a command-level perspective about BRAC implementation. Installations, commands, and defense agencies we visited are

- Army Forces Command, Fort McPherson, Georgia;
- Army Special Operations Command, Fort Bragg, North Carolina;
- Army Installation Management Command regions at Fort McPherson, Georgia; Fort Monroe, Virginia; and Fort Sam Houston, Texas;
- Army Training and Doctrine Command, Fort Monroe, Virginia;
- Garrison, Fort Belvoir, Virginia;
- Garrison, Fort Bliss, Texas;
- Garrison, Fort Sam Houston, Texas;
- Air Force's Air Education and Training Command, Randolph Air Force Base, Texas;
- Tri-Care Management Activity, Falls Church, Virginia;
- National Geospatial-Intelligence Agency, Fort Belvoir, Virginia;
- Naval Air Systems Command, Arlington, Virginia; and
- U.S. Army Corps of Engineers, Washington, D.C.

Overall, we determined that the data for this report were sufficiently reliable for comparing cost and savings estimates and identifying broad implementation challenges. We conducted this performance audit from February 2008 to December 2008 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a



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reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

# Appendix II: BRAC Recommendations DOD Expects to Cost the Most

Appendix II lists BRAC recommendations that the DOD expects to cost the most to implement based on its fiscal year 2009 budget submission to Congress. DOD expects 30 recommendations (16 percent of the 182 recommendations) to generate about 72 percent of the one-time costs to implement BRAC recommendations during fiscal years 2006 through September 15, 2011, as shown in table 3.

**Table 3: BRAC Recommendations DOD Expects to Cost the Most to Implement (Fiscal Years 2006 through 2011)**

Current year dollars in millions	
Recommendation	One-time cost estimates
Realign Operational Army (Integrated Global Presence and Basing Strategy).	\$3,029
Close National Geospatial-Intelligence Agency leased locations and realign others at Fort Belvoir, Va.	2,441
Establish San Antonio Regional Medical Center and realign enlisted medical training to Fort Sam Houston, Tex.	1,724
Realign Walter Reed Army Medical Center to Bethesda National Naval Medical Center, MD and to Fort Belvoir, Va.	1,640 <sup>a</sup>
Close Fort Monmouth, N.J.	1,595
Realign Maneuver Training to Fort Benning, Ga.	1,509
Realign to establish Combat Service Support Center at Fort Lee, Va.	1,270
Co-locate miscellaneous OSD, defense agency, and field activity leased locations.	1,194
Close Fort McPherson, Ga.	798
Realign Fort Hood, Tex.	670
Close Brooks City-Base, Tex.	582
Consolidate Defense Information Systems Agency at Fort Meade, Md.	578
Realign supply, storage, and distribution management.	541
Reserve Component Transformation, Tex.	486
Co-locate military department investigation agencies with DOD Counterintelligence and Security Agency at Marine Corps Base Quantico, Va.	459
Relocate Army headquarters and field operating activities.	444
Realign to create a Naval Integrated Weapons and Armaments Research, Development, and Acquisition, Test and Evaluation Center mostly at Naval Air Weapons Station China Lake, Calif.	421
Consolidate depot level reparable procurement management.	392
Co-locate missile and space defense agencies at Redstone Arsenal, Ala.	352

**Appendix II: BRAC Recommendations DOD  
Expects to Cost the Most**

Current year dollars in millions	
<b>Recommendation</b>	<b>One-time cost estimates</b>
Consolidate/co-locate active and reserve personnel and recruiting centers for Army and Air Force.	344
Realign Fort Bragg, N.C.	327
Close Naval Air Station Brunswick, Maine.	300
Close Naval Air Station Willow Grove, Pa., and realign Cambria Regional Airport, Johnstown, Pa.	295
Realign to relocate Air Defense Artillery Center and School at Fort Sill, Okla.	294
Consolidate Defense Finance and Accounting Service.	290
Close Fort Monroe, Va.	286
Reserve Component Transformation, Okla.	254
Consolidate correctional facilities into joint regional correctional facilities.	251
Realign defense research service-led laboratories at multiple locations.	244
Realign Naval Support Activity New Orleans, La.	238
<b>Total one-time estimated costs from the recommendations listed above.</b>	<b>\$23,246</b>
<b>Total one-time estimated costs from all recommendations.</b>	<b>\$32,433</b>
<b>Percentage of one-time costs from recommendations listed above of all recommendations.</b>	<b>72%</b>

Source: GAO analysis based on DOD data.

Note: Totals may not add because of rounding.

<sup>a</sup>This amount does not include an additional \$416 million already received and an anticipated \$263 million not yet received to accelerate and enhance the realignment of Walter Reed Army Medical Center to Bethesda National Naval Medical Center, Maryland, and to Fort Belvoir, Virginia.

# Appendix III: BRAC Recommendations DOD Expects to Save the Most Annually

Appendix III lists individual BRAC recommendations that DOD expects to save the most annually after it has implemented the recommendations based on its fiscal year 2009 budget submission. DOD expects 24 recommendations (13 percent of the 182 recommendations) to generate more than 80 percent of the net annual recurring savings as shown in table 4.

**Table 4: BRAC Recommendations DOD Expects to Save the Most Annually after Implementation (Projected for Fiscal Year 2012)**

Current year dollars in millions	
<b>Recommendation</b>	<b>Net annual recurring savings<sup>a</sup></b>
Realign to establish fleet readiness centers.	\$304
Consolidate Defense Finance and Accounting Service.	283
Realign Cannon Air Force Base, N.M. <sup>b</sup>	260
Realign Pope Air Force Base, N.C.	213
Realign Walter Reed Army Medical Center to Bethesda National Naval Medical Center, Md. and to Fort Belvoir, Va.	172
Consolidate/co-locate active and reserve personnel and recruiting centers for Army and Air Force.	170
Consolidate depot level reparable procurement management consolidation.	156
Close Fort Monmouth, N.J.	154
Realign supply, storage, and distribution management.	152
Establish San Antonio Regional Medical Center and realign enlisted medical training to Fort Sam Houston, Tex.	149
Realign to establish Combat Service Support Center at Fort Lee, Va.	148
Realign Maneuver Training to Fort Benning, Ga.	133
Close Naval Air Station Brunswick, Maine.	99
Consolidate Transportation Command components at Scott Air Force Base, Ill.	97
Close Fort McPherson, Ga.	94
Close Brooks City-Base, Tex.	92
Realign by converting medical inpatient services to clinics at various installations.	91
Co-locate miscellaneous OSD, defense agencies, and field activity leases at Fort Belvoir, Va.	72
Close Naval Station Ingleside, Tex. and realign Naval Air Station Corpus Christi, Tex.	69

**Appendix III: BRAC Recommendations DOD  
Expects to Save the Most Annually**

Current year dollars in millions

<b>Recommendation</b>	<b>Net annual recurring savings<sup>a</sup></b>
Realign to create a Naval Integrated Weapons and Armaments Research, Development, and Acquisition, Test and Evaluation Center mostly at Naval Air Weapons Station China Lake, Calif.	68
Relocate medical command headquarters.	67
Close Fort Monroe, Va.	65
Close National Geospatial-Intelligence Agency leased locations and realign others at Fort Belvoir, Va.	57
Consolidate Defense Information Systems Agency at Fort Meade, Md.	52
<b>Total net annual recurring savings from the recommendations listed above.</b>	<b>\$3,216</b>
<b>Total net annual recurring savings from all recommendations.</b>	<b>\$4,001</b>
<b>Percentage of net annual recurring savings from recommendations listed above of all recommendations.</b>	<b>80%</b>

Source: GAO analysis based on DOD data.

Note: Totals may not add because of rounding.

<sup>a</sup>Data provided by DOD for fiscal year 2012 expected savings.

<sup>b</sup>In May 2005, DOD proposed closing Cannon AFB, New Mexico. In September 2005, the BRAC Commission stated that Cannon could remain open if DOD identified a new mission for the base. Subsequently, the Air Force announced in June 2006 that Cannon will remain open because it plans to activate a new mission at the base. The Air Force BRAC Office said it claimed these savings because the decision to reallocate Air Force resources and mission to Cannon was made after the BRAC recommendation was approved and was therefore, a non-BRAC programmatic decision.

# Appendix IV: BRAC Recommendations DOD Expects to Save the Most over a 20-year Period

Appendix IV lists individual BRAC recommendations that DOD expects to save the most over a 20-year period. DOD expects 30 recommendations (16 percent) to generate more than 85 percent of the 20-year savings as shown in table 5.

**Table 5: BRAC Recommendations DOD Expects to Save the Most Over a 20-year Period (Fiscal Years 2006 through 2025)**

Constant fiscal year 2005 dollars in millions	
Recommendation	20-year net present value <sup>a</sup>
Realign to establish fleet readiness centers.	\$3,371
Realign Cannon Air Force Base, N.M. <sup>b</sup>	2,838
Consolidate Defense Finance and Accounting Service.	2,766
Realign Pope Air Force Base, N.C.	2,379
Consolidate/co-locate active and reserve personnel and recruiting centers for Army and Air Force.	1,463
Consolidate depot level reparable procurement management.	1,350
Realign supply, storage, and distribution management.	1,175
Consolidate Transportation Command components at Scott Air Force Base, Ill.	941
Realign by converting medical inpatient services to clinics at various installations.	850
Close Naval Air Station Brunswick, Maine.	717
Relocate medical command headquarters.	671
Close Naval Station Ingleside, Tex. and realign Naval Air Station Corpus Christi, Tex.	490
Close Naval Station Pascagoula, Miss.	463
Close Brooks City-Base, Tex.	427
Close Naval Air Station Atlanta, Ga.	364
Realign to establish Combat Service Support Center at Fort Lee, Va.	348
Close Fort Monroe, Va.	318
Realign to consolidate maritime command, control, communications, computers, intelligence, surveillance, and reconnaissance, research, development, and acquisition, test and evaluation functions at multiple locations.	296
Realign to create a Naval Integrated Weapons and Armaments Research, Development, and Acquisition, Test and Evaluation Center mostly at Naval Air Weapons Station China Lake, Calif.	290
Close Fort Gillem, Ga.	288
Realign Walter Reed Army Medical Center to Bethesda National Naval Medical Center, Md., and to Fort Belvoir, Va.	287

**Appendix IV: BRAC Recommendations DOD  
Expects to Save the Most over a 20-year  
Period**

Constant fiscal year 2005 dollars in millions	
<b>Recommendation</b>	<b>20-year net present value<sup>a</sup></b>
Co-locate miscellaneous Army leased locations.	277
Establish joint bases at multiple locations.	273
Close Fort Monmouth, N.J.	269
Realign Army Reserve Command and Control – Northeast.	262
Realign Mountain Home Air Force Base, Idaho.	259
Close Fort McPherson, Ga.	257
Realign commodity management privatization.	248
Realign defense research service-led laboratories at multiple locations.	235
Close U.S. Army Garrison Michigan at Selfridge.	215
<b>Total savings from the recommendations listed above.</b>	<b>\$24,388</b>
<b>Total savings from only recommendations that accrue a net savings after 20 years.</b>	<b>\$28,640</b>
<b>Percentage of savings from recommendations listed above of all recommendations that accrue a net savings after 20 years.</b>	<b>85%</b>

Source: GAO analysis based on DOD data.

Note: Totals may not add because of rounding.

<sup>a</sup> Net present value: A financial calculation that takes the time value of money into account by determining the present value of the up-front initial investment minus future net savings over a specific period of time. In the context of BRAC, net present value is the total one-time costs minus the total net savings that DOD expects to incur from fiscal year 2006 through fiscal year 2025 to project 20-year savings at a 2.8 percent discount rate.

<sup>b</sup> In May 2005, DOD proposed closing Cannon AFB, New Mexico. In September 2005, the BRAC Commission stated that Cannon could remain open if DOD identified a new mission for the base. Subsequently, the Air Force announced in June 2006 that Cannon will remain open because it plans to activate a new mission at the base. The Air Force BRAC Office said it claimed these savings because the decision to reallocate Air Force resources and mission to Cannon was made after the BRAC recommendation was approved and was therefore, a non-BRAC programmatic decision.

# Appendix V: Comments from the Department of Defense



ACQUISITION  
TECHNOLOGY  
AND LOGISTICS

OFFICE OF THE UNDER SECRETARY OF DEFENSE  
3000 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3000

JAN 14 2009

Mr. Brian Lepore  
Director, Defense Capabilities and Management  
U.S. Government Accountability Office  
441 G Street, N.W.  
Washington, DC 20548

Dear Mr. Lepore:

This is the Department of Defense (DoD) response to the GAO draft report, "MILITARY BASE REALIGNMENTS AND CLOSURES: DoD Faces Challenges in Implementing Recommendations on Time and is Not Consistently Updating Savings Estimates," dated December 18, 2008 (GAO Code 351170)/GAO-09-217).

The Department appreciates the opportunity to comment on this draft report and concurs with the GAO's recommendations concerning program execution update briefings to the OSD staff by the business plan managers and the updating of savings estimates. Detailed comments on the report recommendations are enclosed.

Even though the BRAC 2005 round is costing more and savings less than originally estimated in 2005, implementation of these recommendations are expected to enhance defense operations and management as the Department reshapes and realigns forces to meet future national security needs. The report accurately characterizes the Department's viewpoint that this BRAC round is transforming DoD by aligning the infrastructure with the defense strategy, fostering jointness across the Department, and reducing excess infrastructure and producing savings. The Department appreciates the fact that this report acknowledges that the Department has made steady progress thus far in implementing these recommendations.

The Department recognizes the unique challenges associated with implementing the more complex recommendations and the synchronization efforts required to manage the interdependencies among many recommendations. To apprise senior leadership of problems requiring intervention as early as possible, the Department institutionalized an implementation execution update briefing program in November, which this report acknowledges as a positive step in oversight. These update briefings, representing 86 percent of the investment value of all recommendations, provided an excellent forum for business plan managers to explain their actions underway to mitigate the impacts of problem issues. The business managers have and will continue to brief the status of



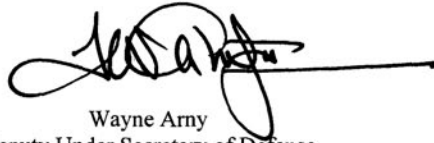


implementation actions associated with recommendations which exceed \$100M on a continuing basis through statutory completion of all recommendations (September 15, 2011). The business managers are also required to brief other plans for which they have concerns.

The Department considers the updating of savings estimates on a regular basis to be essential. While sufficient guidance already exists in the financial management regulation, additional emphasis on this effort is being provided during all program execution update discussions and in all future business plan update approval documentation.

We continue to appreciate audit work performed by the GAO.

Sincerely,

A handwritten signature in black ink, appearing to read 'Wayne Army', with a long horizontal line extending to the right.

Wayne Army  
Deputy Under Secretary of Defense  
(Installations and Environment)

Enclosure:  
As stated

**GAO DRAFT REPORT – DATED DECEMBER 18, 2008  
GAO CODE 351170/GAO-09-217**

**“MILITARY BASE REALIGNMENTS AND CLOSURES: DoD Faces  
Challenges in Implementing Recommendations on Time and is Not  
Consistently Updating Savings Estimates”**

**DEPARTMENT OF DEFENSE COMMENTS  
TO THE RECOMMENDATIONS**

**RECOMMENDATION 1:** The GAO recommends that the Secretary of Defense direct the Under Secretary of Defense for Acquisition, Technology and Logistics modify its recently issued guidance on the status of the base realignment and closure (BRAC) implementation to establish a briefing schedule with briefings as frequently as the Office of the Secretary of Defense deems necessary to manage the risk that a particular recommendation may not meet the statutory deadline, but as a minimum, at six-month intervals, through the rest of the BRAC 2005 implementation period, which would enable DoD to continually assess and respond to the challenges identified by the Services and Defense Agencies that could preclude recommendation completion by September 15, 2011.

**DOD RESPONSE:** Concur. The implementation execution update briefing program the Department institutionalized in November 2008 provided an excellent forum for business plan managers to explain their actions underway to mitigate the impacts of problem issues. The business managers will regularly brief the status of implementation actions associated with recommendations which exceed \$100M on a continuing basis through statutory completion of all recommendations (September 15, 2011). The business managers are also required to brief other plans for which they have concerns. These briefings are occurring more frequently than the six-month intervals recommended in this report.

**RECOMMENDATION 2:** The GAO recommends that the Secretary of Defense direct the Under Secretary of Defense for Acquisition, Technology and Logistics to require the Services and Defense Agencies to provide information on possible mitigation measures to reduce the effects of those challenges.

**DOD RESPONSE:** Concur. The implementation execution update briefing program the Department institutionalized in November 2008 provided an excellent forum for business plan managers to explain their actions underway to mitigate the impacts of problem issues. Mitigation efforts are being provided during all briefings and these efforts are planned for further discussion within the next 60 days. The business managers will brief the status of implementation actions associated with recommendations which exceed

\$100M on a continuing basis through statutory completion of all recommendations (September 15, 2011). The business managers are also required to brief other plans for which they have concerns.

**RECOMMENDATION 3:** The GAO recommends that the Secretary of Defense direct the Under Secretary of Defense for Acquisition, Technology and Logistics, the Under Secretary of Defense (Comptroller), and the Service secretaries to take steps to improve compliance with DoD's regulation requiring updated base realignment and closure savings estimates.

**DOD RESPONSE:** Concur. The Department considers the updating of savings estimates on a regular basis to be essential. While sufficient guidance already exists in the financial management regulation, additional emphasis on this effort is being provided during all program execution update discussions and in all future business plan update approval documentation.

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# Appendix VI: GAO Contact and Staff Acknowledgments

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## GAO Contact

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## Acknowledgments

In addition to the individual named above, Laura Talbott, Assistant Director; Vijay Barnabas; John Beauchamp; Susan Ditto; Gregory Marchand; Richard Meeks; and Charles Perdue made key contributions to this report.

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# Related GAO Products

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*Military Base Realignments and Closures: Army Is Developing Plans to Transfer Functions from Fort Monmouth, New Jersey, to Aberdeen Proving Ground, Maryland, but Challenges Remain.* [GAO-08-1010R](#). Washington, D.C.: August 13, 2008.

*Defense Infrastructure: High-Level Leadership Needed to Help Communities Address Challenges Caused by DOD-Related Growth.* [GAO-08-665](#). Washington, D.C.: June 17, 2008.

*Defense Infrastructure: DOD Funding for Infrastructure and Road Improvements Surrounding Growth Installations.* [GAO-08-602R](#). Washington, D.C.: April 1, 2008.

*Defense Infrastructure: Army and Marine Corps Grow the Force Construction Projects Generally Support the Initiative.* [GAO-08-375](#). Washington, D.C.: March 6, 2008.

*Military Base Realignments and Closures: Higher Costs and Lower Savings Projected for Implementing Two Key Supply-Related BRAC Recommendations.* [GAO-08-315](#). Washington, D.C.: March 5, 2008.

*Defense Infrastructure: Realignment of Air Force Special Operations Command Units to Cannon Air Force Base, New Mexico.* [GAO-08-244R](#). Washington, D.C.: January 18, 2008.

*Military Base Realignments and Closures: Estimated Costs Have Increased and Estimated Savings Have Decreased.* [GAO-08-341T](#). Washington, D.C.: December 12, 2007.

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*Military Base Realignments and Closures: Impact of Terminating, Relocating, or Outsourcing the Services of the Armed Forces Institute of Pathology.* [GAO-08-20](#). Washington, D.C.: November 9, 2007.

*Military Base Realignments and Closures: Transfer of Supply, Storage, and Distribution Functions from Military Services to Defense Logistics Agency.* [GAO-08-121R](#). Washington, D.C.: October 26, 2007.

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*Defense Infrastructure: Challenges Increase Risks for Providing Timely Infrastructure Support for Army Installations Expecting Substantial Personnel Growth.* [GAO-07-1007](#). Washington, D.C.: September 13, 2007.

*Military Base Realignment and Closures: Plan Needed to Monitor Challenges for Completing More Than 100 Armed Forces Reserve Centers.* [GAO-07-1040](#). Washington, D.C.: September 13, 2007.

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*Military Base Closures: Management Strategy Needed to Mitigate Challenges and Improve Communication to Help Ensure Timely Implementation of Air National Guard Recommendations.* [GAO-07-641](#). Washington, D.C.: May 16, 2007.

*Military Base Closures: Opportunities Exist to Improve Environmental Cleanup Cost Reporting and to Expedite Transfer of Unneeded Property.* [GAO-07-166](#). Washington, D.C.: January 30, 2007.

*Military Bases: Observations on DOD's 2005 Base Realignment and Closure Selection Process and Recommendations.* [GAO-05-905](#). Washington, D.C.: July 18, 2005.

*Military Bases: Analysis of DOD's 2005 Selection Process and Recommendations for Base Closures and Realignments.* [GAO-05-785](#). Washington, D.C.: July 1, 2005.

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